



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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POWER SERVICES

May 2, 2012

In reply refer to: PS-6

To Regional Customers, Stakeholders, and Other Interested Parties:

On June 2, 2011, the Bonneville Power Administration (BPA) issued a summary paper, *Port Townsend Paper Corporation's Request to Include its Load in Jefferson County PUD's Contract High Water Mark*. Port Townsend Paper Company (PTPC), a direct service industrial (DSI) customer of BPA, and Jefferson County Public Utility District (Jefferson PUD), a new public customer, requested that BPA include PTPC's load in Jefferson PUD's Contract High Water Mark (CHWM). Specifically, PTPC requested that BPA reconsider its New Large Single Load (NLSL) policy on transfers of large loads in order to allow 9.9 average megawatts of a large load to transfer from one supplier to a public customer as "general requirements load" without triggering the application of the NLSL definition and the New Resources (NR) rate under sections 3(13) and 7 of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). BPA responded to this request by issuing a summary paper on PTPC's requested changes to the NLSL policy. In the summary paper, BPA also identified that a revision to section 4.1.6.2 of the Tiered Rates Methodology (TRM) would be necessary in order to include PTPC's entire load in Jefferson PUD's CHWM. BPA asked interested parties to comment on PTPC's requested changes to the NLSL policy and other potential alternatives for service to PTPC's load. The summary paper is available on BPA's website at <http://www.bpa.gov/power/pl/regionaldialogue/implementation/documents/#HW>.

BPA requested that it receive comments by July 1, 2011. BPA received a total of 18 comments. These comments are available at <http://www.bpa.gov/applications/publiccomments/CommentList.aspx?ID=130>.

BPA has reviewed and considered these comments. The majority of comment received from customers and other interested parties urged BPA to retain and not to modify its existing NLSL policy. Many of the comments on PTPC's request to revise the NLSL policy observed that such a change in the NLSL policy would be a significant departure or change in BPA's past policy and legal interpretations of section 3(13) of the Northwest Power Act. Several comments stated that no significant change in circumstances had occurred and that several existing policy alternatives were available to PTPC for service. BPA agrees with these above noted comments and is not persuaded that PTPC's request to change the NLSL policy is needed to respond to changes in DSI service under recent court decisions. As a result, BPA withdraws further reconsideration of, and will not change its current NLSL policy on transferred load, as adopted in BPA's Policy for Power Supply Role for Fiscal Years 2007-2011 (February 2005). In addition, BPA will not propose any change to section 4.1.6.2 of the TRM to accommodate inclusion of the PTPC load in Jefferson PUD's CHWM. The majority of comments did not support such a

revision to the TRM for a variety of reasons, including impacts to Tier1 rates, possible competitive advantages for new publics, and a change in the balance of equities between new and existing public customers, and BPA agrees with these concerns as well.

Subsequently PTPC and Jefferson PUD asked BPA to consider another alternative to allow Jefferson PUD to serve a portion of PTPC's load and include such load in Jefferson PUD's CHWM. Jefferson PUD may serve PTPC's non-production load, commonly referred to as "Wheel Turning Load," as defined in BPA's 2012 Power Rates Schedules and General Rate Schedule Provisions (FY 2012-2013) and as identified under PTPC's DSI power sales agreement with BPA. BPA will publish a draft Record of Decision regarding PTPC's Wheel Turning Load amounts for regional review and will take public comment on an amendment of PTPC's DSI power sales agreement that identifies the amount of Wheel Turning Load. BPA would like to reiterate that during the CHWM process Jefferson PUD's CHWM was not finalized due to these above requests. However, BPA already determined during the CHWM process that some PTPC load will be included in Jefferson PUD's CHWM. Accordingly, PTPC's Old Corrugated Container plant load (3.275 average megawatts) will be served by Jefferson PUD and included in its CHWM. The remainder of PTPC's load, with the exception of an amount of Wheel Turning Load, will not be included in Jefferson PUD's CHWM.

BPA appreciates the public comment provided by parties and the interest shown by its customers and stakeholders in helping BPA on this matter. If you have any questions, please contact your Account Executive or Mark Gendron at (503) 230-7640.

Sincerely,

/s/ Mark O. Gendron

Mark O. Gendron
Vice President
Northwest Requirements Marketing